

Message Text

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SUBJECT: COMSSION OUTLINE FOR 1977-80 PROGRAM TO ESTABLISH MARKET
EQUILIBRIUM IN DAIRY SECTOR

REF: A) EC BRUSSELS 5849 B) EC BRUSSELS 2390 C) EC BRUSSELS
0077, D) EC A-174 OF 6/20/72, E EC A -382 OF 9/3/75

1. BEGIN SUMMARY: THE COMMISSION HAS APPROVED AND SUBMITTED
TO THE COUNCIL FOR CONSIDERATION THE OUTLINES OF ITS ACTION
PROGRAM AIMED AT ESTABLISHING MARKET EQUILIBRIUM IN THE
DAIRY SECTOR DURING 1977-80. THESE PROPOSALS INCLUDE:
PREMIUMS FOR NON- MARKETING OF MILK AND RECONVERSION OF DAIRY
HERDS,SUSPENSION OF COMMUNITY AND NATIONAL AIDS IN THE DAIRY
SECTOR FOR THREE YARS,A " CORRESPONSIBILITY" LEVY,EXPANSION
OF EC MARKETS,AND A TAX ON VEGETABLE,FISH AND MARINE FATS
AND OILS THESE MEASURES WILL BE DISCUSSED BY THE COUNCIL
OF AGRICULTURAL MINISTERS AT THEIR NEXT MEETING JULY 19-21.
END SUMMARY.

2. THE COMMISSION APPROVED AND SUBMITTED THE OUTLINES OF
ITS ACTION PROGRAM TO DEAL WITH THE DAIRY SURPLUS SITUATION
IN THE MEDIUM AND LONG TERM. THIS ACTION PROGRAM RESPONDS TO
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THE CONCIL'S INVITATION MADE TO IT DURING THE 1976/77

AGRICULTURAL PRICE MARATHON MARCH 2-6, 1976 (REF.B) TO
SUBMIT PROPOSALS FOR PRODUCER CORESPONSIBILITY IN THE DAIRY
SECTOR BEFORE JULY 31, 1976, FOR COUNCIL APPROVAL BEFORE
SEPTEMBER 1, 1976.

3. THE FIRST HALF OF THE 20- PAGE COMMISSIO PROSPOSAL IS BACKGROUND
MATERIAL ON THE DAIRY MARKET SITUATION. THIS MESSAGE
SUMMARIZES THE SECOND HALF CONTAINING THE MEASURES THE
COMMISSION PROPOSES THE COMMUNITY TAKE DURING 1977-80 TO DEAL
WITH THE DAIRY SURPLUS. A SEPARATE MESSAGE WILL DISCUSS
THE PROPOSAL FOR A TAX ON VEGETABLE,FISH AND MARINE FATS
AND OILS.THE PROPOSED ACTION PROGRAM IS IN NARRATIVE FORM.
THE COMMISSION WILL PROPOSE REGULATIONS EMBODYING THIS
PROGRAM TO THE COUNCIL AFTER IT HAS BEEN ABLE TO ASSESS THE
EFFECTS OF THE DROUGHT ON THE DAIRY SECTOR.WE ARE SENDING
THE FULL TEXT OF THE PROPOSAL BY AIRGRAM.

4. PREMIUMS FOR NON- MARKETING OF MILK AND RECONVERSION OF
DAIRY HERDS. THE COMMISSION PROPOSES TO EXPAND THE APPLICATION
OF THE PERMIUM FOR NON- MARKETING OF MILK AND RECONVERSION
ALREADY PROPOSED (REF C) (MAXIMUM QUANTITY OF MILK PER
HERD ELIGIBLE FOR PREMIM, BENEFICIARIES,AMOUNT OFPREMIUM
AND STAGING)AS WELL AS TO IMPROVE THE SYSTEM OF CONGRU AND
SURVEILLANCE IT NOTES THAT THE PREMIUM IS EXPECTED TO LAST
UNTIL APRIL 1, 1978,BUT THAT IT MUST BE CAREFLLY REVIEWED IN
CONJUNCTION WITH THE EVOLUTION OF THE BEEF MARKET. THE
COMMISSION PROPOSES THAT A FARMER ALREADY BENEFITTING FROM THE
NON-MARKETING AND RECONVERSION PREMIUM ALSO BE ELIGIBLE
FOR THE PAYMENT FORESEEN UNDER THE MANSHOLT PLAN FOR FARMERS
(AGED 55-65)WHO CEASE FARMING AND LEASE OR SELL THEIR LAND TO
OTHER FARMERS OR MAKE IT AVAILABLE FOR CERTAIN NONAGRICULTURAL
PURPOSES (REF D). THE COMMISSION ALSO CONSIDERS THAT THE
PREMIUM CAN DO MUCH TO ACCELERATE THE ERADICATION OF INFECTIOUS
DISEASES BY COMBINING IT WITH NATIONAL SUBSIDIES ALREADYIN
FORCE TO STOP THE SPREAD OF TUBERCULOSIS,BRUCELLOSIS AND
LEUCOSIS. THE COMMISSION PLANS TO PROPOSE A COMMUNITY
PROGRAM FOR SLAUGHTERING DISEASED DAIRY COWS DURING 1977-80.

5. SUSPENSION OF COMMUNITY AND NATIONAL AIDS FOR 3 YEARS

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THE COMMISSION WANTS TO BRAKE INVESTMENTS AT THE FARM AND DAIRY
PLANT LEVEL BUT TO ENCOURAGE INVESTMENTS WHICH SUPPORT THE
DISPENSING OF LIQUID SKIM MILK ON THE FARM,THE NON-MARKETING
OFMILK,DAIRY RECONVERSION,AND RESEARCH FOR NEW PRODUCTS.
IT PROPOSES THAT ALL DIRECT AIDS FOR MILK PRODUCTION BE
SUSPENDED FOR 3 YEARS WITH THE EXCEPTION OF AIDS IN MOUNTAIN
AND DISFAVORED REGIONS THIS SUSPENSION WOULD APPLY TO ALL AID
APPLICATIONS BEGINNING JULY 8, 1976. LIMITED EXCEPTIONS WILL

BE MADE FOR DAIRY FARMS WHICHPRODUCE AT LEAST 80 PERCENT OF THE FODDER NEEDED TO FEED THEIR CATTLE AND WHICH AT THE END OF THE AID PROGRAM WILL HAVE NO MORE THAN 1.3 COWS PER HECTARE OF USABLE AGRICULTURAL LAND THE COMMISSION PROPOSES THE COMPLETE SUSPENSION FOR 3 YEARS OF ALL NATIONAL AIDS TO INVESTMENTS FOR PROCESSING AND MARKETING OF MILK AND MILK PRODUCTS.DURING THE SAME PERIOD THE COMMISSION WILL NO LONGER GRANT AIDS OUT OF THE GUIDANCE SECTION OF FEOGA FOR PROJECTS CONCERNING DAIRY PRODUCTION AND IT PROPOSES TO EXCLUDE THE DAIRY SECTOR FROM BEING ELIGIBLE FOR PROPOSED AIDS TO IMPROVE PRECESSING OF AGRICULTURAL PRODUCTS (REF. E). THE SUSPENSION OF EC AND NATIONAL AIDS OUTLINED ABOVE WILL NOT APPLY TO RESEARCH AND INVESTMENT PROGRAMS FOR NEW PRODUCTS IN ORDER TO EXPAND DAIRY MARKET OUTLAYS.THE COMMISSION FAVOR GRANTING FEOGA AIDS TO PROJECTS INVOLVING LIQUID SKIM MILK FEEDING IN PORK OPERATIONS.

6. CORESPONSIBILITY LEVY

THE COMMISSION PROPOSES TO INTRODUCE A TEMPORARY LEVY WHICH WOULD APPLY UNIFORMLY TO MILK DELIVERED TO DAIRIES AND DIRECT SALES OF DAIRY PRODUCTS AT THE FARM.IT PROPOSES TO FIX THE LEVY RATE FROM NOW UNTIL 1980 WITHIN A FORK OR RANGE. EACH YEAR BEFORE NOVEMBER 1,THE COUNCIL,ON THE BASIS OF A COMMISSION PROPOSAL,WILL DECIDE ON THE LEVY RATE TAKING INTO ACCOUNT THE EVOLUTION OF THE DAIRY MARKET.THE RATE OF THE LEVY MAY BE ADJUSTED DURING THE SEASON TO REFLECT ANY UNEXPECTED MARKET DEVELOMMENTS.MOUNTAIN REGIONS ARE EXEMPTED FROM THE LEVY THE COMMISSION FEELS THAT FOR ITS PROPOSED 1977-80 PROGRAM TO WORK,ALL INTERESTED PARTIES MUST WORK TOGETHER IN THIS CONNECTION,IT PROPOSES THAT PRODUCERS BE CONSULTED EACH YEAR ON THE USE OF FUNDS FROM THE CORESPONSIBILITY LEVY BY THE DAIRY MANAGEMENT COMMITTEE

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AND THAT PRODUCERS'OPINIONS BE SUBMITTED TO THE COUNCIL AT THE SAME TIME AS THE COMMISSION PROPOSALS.

7. EXPANSION OF COMMUNITY MARKETS.

FACED WITH A DECLINE IN DAIRY CONSUMPTION AND INCREASED COMPETITION FROM OTHER THIRD COUNTRY PRODUCERS AND FROM SUBSTITUTE PRODUCTS,THE COMMISSION FEELS IT CRUCIAL FOR THE DAIRY SECTOR ITSELF TO LAUNCH A CAMPAIGN TO CAPTURE NEW MARKETS.IT CONSIDERS THAT THE PRIMARY ONUS FOR THIS CAMPAIGN SHOULD BE TO PRODUCERS AND THE DAIRY INDUSTRY WITH PUBLIC GRANTS PLAYING A SUPPLEMENTARY ROLE. THE COMMISSION WANTS TO MAINTAIN AND REINFORCE PROGRAMS ALREADY IN EFFECT FOR MILK CONSUMPTION IN SCHOOLS.MARKET RESEARCH,AND PRODUCT DEVELOPMENT. IT WANTS THE COUNCIL TO ACT QUICKLY ON ITS PROPOSALS ALREADY SUBMITTED THAT WOULD IMPOSE EXCLUSIVE

UTILIZATION OF DAIRY PRODUCTS IN CERTAIN PROCESSED AGRICULTURAL PRODUCTS (REF C). IT IS THE COMMISSION'S INTENTION TO INCREASE LIQUID SKIM MILK AID TO ENCOURAGE MAXIMUM USE IN FARMS, ESPECIALLY PORK OPERATIONS, AND MAKE IT MORE COMPETITIVE WITH VEGETABLE PROTEINS.

8. THE COMMISSION STATES THAT ALL THE AVAILABLE MARKET INDICATORS POINT TO CONTINUED EC STRUCTURAL SURPLUSES AS A RESULT OF INCREASED PRODUCTION (THROUGH HIGHER YIELDS) AND DECLINING CONSUMPTION (EXACERBATED WHEN UK PRICES ATTAIN EC-6 LEVEL). DESPITE UNCERTAINTIES AS TO THE SHORT TERM CONSEQUENCES OF THE DROUGHT, THE COMMISSION BELIEVES THAT FUTURE DAIRY SUPPLIES WILL OUTPACE DEMAND SUBSTANTIALLY. IF THE MEDIUM AND LONG TERM PROPOSALS OUTLINED BY THE COMMISSION ARE NOT ADOPTED IT WILL MEAN SURPLUSES IN THE ORDER OF 10 PERCENT OF MILK DELIVERED TO DAIRIES.

9. ONLY THE NON-MARKETING PREMIUM PER PARA 4 IS IN PROPOSED REGULATION FORM. THE OTHER PROPOSED MEASURES OF THE COMMISSION WILL BE DEBATED AT THE AGRICULTURAL COUNCIL MEETING JULY 19 THROUGH 21 BUT ARE NOT READY FOR FINAL COUNCIL ACTION.
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